

CITY OF BLUFFDALE, UTAH

**Financial Statements
and
Supplementary Information**

Year Ended June 30, 2006

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF BLUFFDALE, UTAH
Financial Statements and Supplementary Information
For the Fiscal Year Ended June 30, 2006

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Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
City of Bluffdale, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bluffdale, Utah (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bluffdale, Utah, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

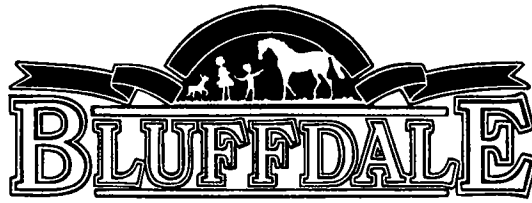
In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information are presented for purposes of additional analysis are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

November 9, 2006



BLUFFDALE CITY

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Management's Discussion and Analysis

As management of the City of Bluffdale (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$11,663,895. The City's assets are comprised of capital assets and funds legally restricted in their use (*restricted net assets*).
- The government's total net assets increased by \$3,493,211 during 2006. The increase in net assets can be attributed to an increase in tax revenue, expending less than the budgeted amount in the general fund, and increases in various fee revenues such as charges for garbage service and also a significant increase in impact fees.
- The unreserved fund balance for the general fund was \$930,802 or approximately 30 percent of total general fund expenditures. The unreserved fund balance for the general fund increased by \$274,593 from the previous year.
- The City's total outstanding long-term liabilities experienced a net decrease of \$130,000. The decrease was due to the payment of principal. The City advanced refunded the Sales Tax Bond Series 2003 during the year and realized an economic gain of \$102,536 (difference between the present value of the old and new debt service payments).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Bluffdale's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to cover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and public works, parks and recreation, cemetery, and garbage. Water is the only business-type activities of the City.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Redevelopment Agency of Bluffdale City (RDA), a legally separate entity for which the City is financially accountable. Financial information for this *component unit* is blended with the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital improvements fund, which are considered major funds. Financial

City of Bluffdale's Net Assets

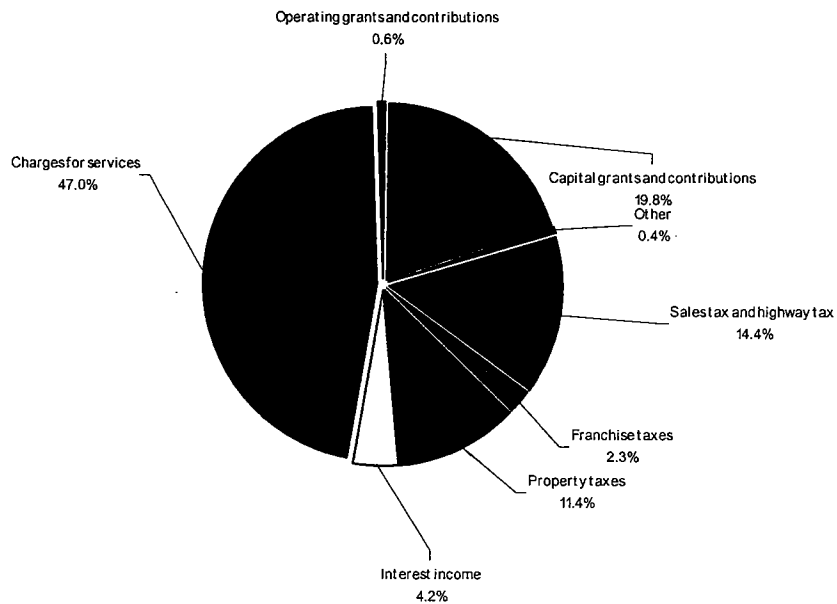
	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 8,292,694	\$ 6,981,094	\$ 675,343	\$ 300,686	\$ 8,968,037	\$ 7,281,780
Capital assets	<u>8,281,752</u>	<u>6,611,143</u>	<u>1,516,861</u>	<u>1,407,204</u>	<u>9,798,613</u>	<u>8,018,347</u>
Total assets	<u>16,574,446</u>	<u>13,592,237</u>	<u>2,192,204</u>	<u>1,707,890</u>	<u>18,766,650</u>	<u>15,300,127</u>
Other liabilities	867,596	741,532	105,793	82,920	973,389	824,452
Long-term liabilities outstanding	<u>6,129,366</u>	<u>6,304,991</u>	<u>-</u>	<u>-</u>	<u>6,129,366</u>	<u>6,304,991</u>
Total liabilities	<u>6,996,962</u>	<u>7,046,523</u>	<u>105,793</u>	<u>82,920</u>	<u>7,102,755</u>	<u>7,129,443</u>
Net assets:						
Invested in capital assets, net						
of related debt	1,837,752	41,152	1,516,861	1,407,204	3,354,613	1,448,356
Restricted	5,716,080	4,992,766	-	-	5,716,080	4,992,766
Unrestricted	<u>2,023,652</u>	<u>1,511,796</u>	<u>569,550</u>	<u>217,766</u>	<u>2,593,202</u>	<u>1,729,562</u>
Total net assets	<u>\$ 9,577,484</u>	<u>\$ 6,545,714</u>	<u>\$ 2,086,411</u>	<u>\$ 1,624,970</u>	<u>\$ 11,663,895</u>	<u>\$ 8,170,684</u>

Governmental activities. Governmental activities increased the City's net assets by \$3,031,770, accounting for 86.7 percent of the total growth in net assets. Key elements of this increase are increases in tax revenue and impact fee revenue. Also, expenses within the governmental activities were less than budgeted.

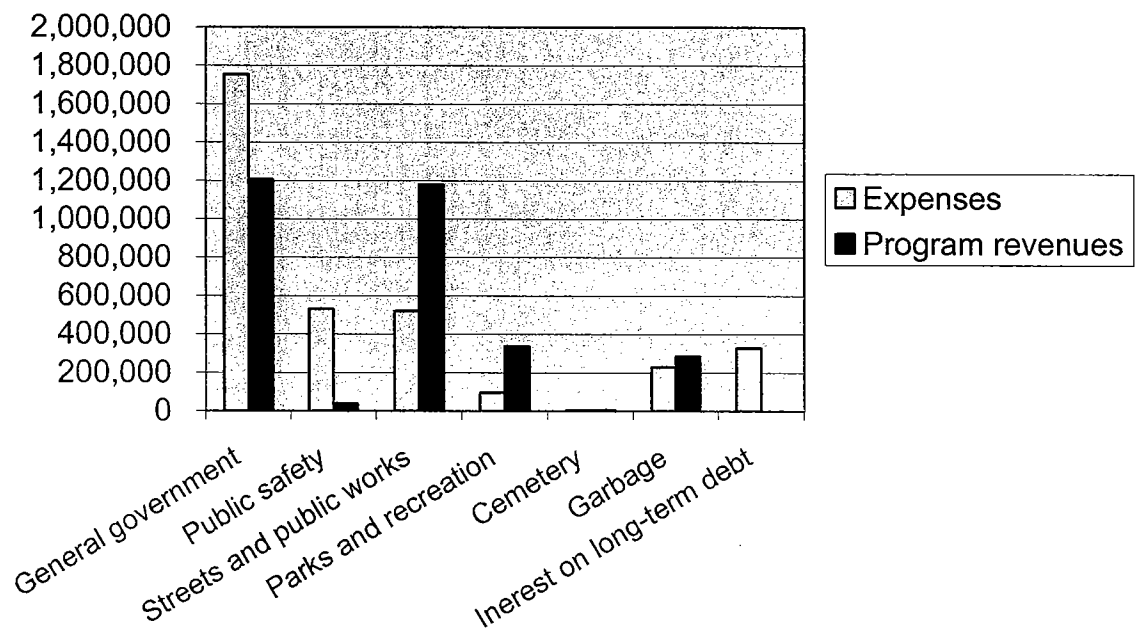
City of Bluffdale's Change in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 3,053,630	\$ 2,369,846	\$ 1,032,132	\$ 882,917	\$ 4,085,762	\$ 3,252,763
Operating grants and contributions	37,568	110,893	-	-	37,568	110,893
Capital grants and contributions	1,284,070	2,497,521	339,580	565,937	1,623,650	3,063,458
General revenues:						
Property taxes	737,627	504,127	-	-	737,627	504,127
Sales tax and highway tax	935,183	725,201	-	-	935,183	725,201
Franchise taxes	152,347	120,164	-	-	152,347	120,164
Other	296,480	122,437	-	-	296,480	122,437
Total revenues	<u>6,496,905</u>	<u>6,450,189</u>	<u>1,371,712</u>	<u>1,448,854</u>	<u>7,868,617</u>	<u>7,899,043</u>
Expenses:						
General government	1,754,886	1,407,782	-	-	1,754,886	1,407,782
Public safety	531,076	531,875	-	-	531,076	531,875
Streets and public works	520,235	363,126	-	-	520,235	363,126
Parks and recreation	96,538	114,303	-	-	96,538	114,303
Cemetery	3,103	2,494	-	-	3,103	2,494
Garbage	230,001	207,737	-	-	230,001	207,737
Interest on long-term debt	329,296	259,168	-	-	329,296	259,168
Water	-	-	910,271	666,954	910,271	666,954
Total expenses	<u>3,465,135</u>	<u>2,886,485</u>	<u>910,271</u>	<u>666,954</u>	<u>4,375,406</u>	<u>3,553,439</u>
Increase in net assets before Transfers	3,031,770	3,563,704	461,441	781,900	3,493,211	4,345,604
Transfers	-	(168,978)	-	168,978	-	-
Increase in net assets	3,031,770	3,394,726	461,441	950,878	3,493,211	4,345,604
Net assets, beginning	<u>6,545,714</u>	<u>3,150,988</u>	<u>1,624,970</u>	<u>674,092</u>	<u>8,170,684</u>	<u>3,825,080</u>
Net assets, ending	<u>\$ 9,577,484</u>	<u>\$ 6,545,714</u>	<u>\$ 2,086,411</u>	<u>\$ 1,624,970</u>	<u>\$ 11,663,895</u>	<u>\$ 8,170,684</u>

Revenues by Source-Governmental Activities 2006



Expenses and Program Revenues-Governmental Activities 2006



Business-type activities. Business-type activities increased the City's net assets by \$461,441, accounting for 13.3 percent of the total growth in the government's net assets. The key elements of this increase are capital contributions of infrastructure from new subdivisions constructed within the City. This amounted to \$339,580 along with increased water revenues. The water fund is the only business-type activity. Charges for services were the only source of revenue in the water fund.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,980,429 an increase of \$879,358 in comparison with prior year. Of the ending fund balance, 18 percent (\$1,264,349) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$787,528), 2) to pay for construction of capital assets (\$4,928,552).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$930,802 while total fund balance reached \$2,226,571. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 30 percent of total general fund expenditures, while total fund balance represents 70 percent of that same amount.

The City's total general fund balance experienced a \$312,099 increase during the current fiscal year. The increase is due to an excess of revenues over expenditures in the current year. Unrestricted fund balance increased \$274,593 in comparison with prior year. These funds are available to spend at the City's discretion.

The capital projects fund has a total fund balance of \$3,788,365. Of that amount \$3,288,325 is reserved for 1) construction of capital assets funded by impact fees 2) \$344,458 to pay debt service and 3) the balance, \$155,582 for various capital projects at the City's discretion. The fund balance increased \$598,271 from the previous year.

Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements business-type activities, but in more detail.

Net assets of the Water fund at the end of the year were \$2,086,411. Net assets increased \$461,441 from the preceding year. The majority of the increase was due to capital contributions on behalf of developers of new subdivisions constructed within the City.

General Fund Budgetary Highlights

The original budget and the final amended budget overall totals were same in total except for minor adjustments that were made to from department to department budgets during the course of the year to more accurately reflect the budgetary needs of those departments.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2006 amounts to \$9,798,613 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, distribution and collection systems, and construction in process. The City's capital assets increased 22% from the preceding year. The City has completed a building that will serve as a fire station and also as temporary City Hall. The new building along with some land that was purchased for a City Park that was almost completely developed by fiscal year end along with developer contributions accounted for the increase in capital assets.

Long-term debt. At the end of the current fiscal year, the City had \$6,461,000 in outstanding long-term debt.

City of Bluffdale's Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
SID revenue bonds	\$ 4,170,000	\$ 4,370,000	\$ -	\$ -	\$ 4,170,000	\$ 4,370,000
Sales tax revenue bonds	2,220,000	2,110,000	-	-	2,220,000	2,110,000
Capital leases	54,000	90,000	-	-	54,000	90,000
Vacation payable	17,000	21,000	-	-	17,000	21,000
Total	<u>\$ 6,461,000</u>	<u>\$ 6,591,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,461,000</u>	<u>\$ 6,591,000</u>

The City's total debt decreased \$130,000 during the fiscal year 2006. The City advanced refunded the Sales tax 2003 bond series issue during the year. This transaction resulted in an economic gain of \$102,536 (difference between the present value of the old and new debt service payments).

Economic Factors and the Next Year's Budgets and Rates

As part of the budget process each year the City performs an evaluation to project future revenues for the coming fiscal year. A major aspect of this evaluation is projecting property tax and sales tax revenues. Property taxes were raised approximately 35% as a result in the City holding a Truth in Taxation hearing. Sales tax revenue is expected to maintain better than average growth in the future year. The City has adopted an assessment within one of its special improvement districts. The assessment will be used to construct roads and install other necessary infrastructure such as water, sewer, and storm sewer lines. The cost of the capital improvements is expected to be \$4,370,000 and bonds were issued in that amount. The City is looking forward to new development and is taking progressive steps to ensure that the community is developed in the most responsible manner possible.

Requests for Information

The financial report is designed to provide a general overview of the City for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, Brent Bluth, 14475 S Redwood Road, Bluffdale Utah 84065, or email @ brentbluth@bluffdale.com

**CITY OF BLUFFDALE
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental Activities	Business-type Activities	TOTAL
ASSETS			
Cash and cash equivalents	\$ 5,892,133	\$ -	\$ 5,892,133
Receivables			
Property taxes	810,552	-	810,552
Accounts	37,789	154,444	192,233
Internal balances	15,430	(15,430)	-
Due from other governments	54,014	-	54,014
Bond issuance costs	342,823	-	342,823
Investment in water stock and rights	-	536,329	536,329
Investment in common stock	7,967	-	7,967
Restricted cash	1,131,986	-	1,131,986
Land	2,920,214	4,703	2,924,917
Buildings	1,773,302	-	1,773,302
Machinery and equipment	1,083,334	67,950	1,151,284
Distribution and collection systems	-	2,171,003	2,171,003
Infrastructure	3,553,767	-	3,553,767
Accumulated depreciation	(1,048,865)	(726,795)	(1,775,660)
Total assets	16,574,446	2,192,204	18,766,650
LIABILITIES			
Accounts payable	316,774	84,628	401,402
Accrued interest payable	173,365	-	173,365
Accrued liabilities	30,458	21,165	51,623
Non current liabilities			
Due within one year	346,999	-	346,999
Due in more than one year	6,129,366	-	6,129,366
Total liabilities	6,996,962	105,793	7,102,755
NET ASSETS			
Invested in capital assets, net of debt	1,837,752	1,516,861	3,354,613
Restricted for			
Debt service	1,131,986	-	1,131,986
Roads and bridges	3,245,458	-	3,245,458
Water	730,267	-	730,267
Storm sewer	608,369	-	608,369
Unrestricted	2,023,652	569,550	2,593,202
Total net assets	\$ 9,577,484	\$ 2,086,411	\$ 11,663,895

The notes to the financial statements are an integral part of this statement.

CITY OF BLUFFDALE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	Program Revenues				Net Governmental Activities	Business-type Activities	Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Governmental activities							
General government	\$ 1,754,886	\$ 1,207,529	\$ 34,820	\$ 3,100	\$ (509,437)	\$ -	\$ (509,437)
Public safety	531,076	37,856	2,748	228,296	(262,176)	-	(262,176)
Streets and public works	520,235	1,178,800	-	810,365	1,468,930	-	1,468,930
Parks and recreation	96,538	337,003	-	242,309	482,774	-	482,774
Cemetery	3,103	6,075	-	-	2,972	-	2,972
Garbage	230,001	286,367	-	-	56,366	-	56,366
Interest on long-term debt	329,296	-	-	-	(329,296)	-	(329,296)
Total governmental activities	3,465,135	3,053,630	37,568	1,284,070	910,133	-	910,133
Business-type activities							
Water	910,271	1,032,132	-	339,580	-	461,441	461,441
Total business-type activities	910,271	1,032,132	-	-	-	461,441	461,441
General revenues							
Taxes							
Property taxes					737,627	-	737,627
Franchise taxes					152,347	-	152,347
General sales taxes and highway sales taxes					935,183	-	935,183
Interest income					273,389	-	273,389
Miscellaneous					23,091	-	23,091
Total general revenues					2,121,637	-	2,121,637
Change in net assets					3,031,770	461,441	3,493,211
Net assets - beginning					6,545,714	1,624,970	8,170,684
Net assets - ending					\$ 9,577,484	\$ 2,086,411	\$ 11,663,895

The notes to the financial statements are an integral part of this statement.

City of Bluffdale
June 30, 2006

Balance Sheet -
Governmental Funds

	General	SID Special Revenue Fund	Capital Projects Fund	Other Governmental Funds	Totals Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,950,001	\$ 369,432	\$ 3,551,063	\$ 21,637	\$ 5,892,133
Restricted cash and investments	-	787,528	344,458	-	1,131,986
Receivables:					
Sales, property and franchise taxes	810,552	-	-	-	810,552
Accounts	37,789	-	-	-	37,789
Class C road funds	54,014	-	-	-	54,014
Due from other funds	197,200	-	15,430	-	212,630
Investment in common stock	7,967	-	-	-	7,967
Total assets	\$ 3,057,523	\$ 1,156,960	\$ 3,910,951	\$ 21,637	\$ 8,147,071
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 178,284	\$ 9,730	\$ 122,586	\$ 6,174	\$ 316,774
Accrued liabilities	30,458	-	-	-	30,458
Deferred revenue - property taxes	622,210	-	-	-	622,210
Due to other funds	-	-	-	197,200	197,200
Total liabilities	830,952	9,730	122,586	203,374	1,166,642
Fund balances:					
Reserved:					
Reserved for roads and bridges	1,295,769	-	1,949,689	-	3,245,458
Reserved for water	-	-	730,267	-	730,267
Reserved for retirement of debt	-	-	344,458	-	344,458
Reserved for storm sewer	-	-	608,369	-	608,369
Reserved for debt service and construction	-	787,528	-	-	787,528
Unreserved, reported in					
General fund	930,802	-	-	-	930,802
Special revenue funds	-	359,702	-	(193,237)	166,465
Capital projects fund	-	-	155,582	-	155,582
Permanent fund	-	-	-	11,500	11,500
Total fund balances	2,226,571	1,147,230	3,788,365	(181,737)	6,980,429
Total liabilities and fund balances	\$ 3,057,523	\$ 1,156,960	\$ 3,910,951	\$ 21,637	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

8,281,752

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

965,033

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(6,649,730)

Net assets of governmental activities

\$ 9,577,484

The accompanying notes are an integral part of the financial statements.

City of Bluffdale
Year Ended June 30, 2006

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

	General	SID Special Revenue Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$1,385,815	\$ -	\$ -	\$ -	\$ 1,385,815
Special assessments	-	458,952	-	-	458,952
Licenses and permits	723,696	-	-	-	723,696
Charges for services	221,398	-	1,094,707	-	1,316,105
Intergovernmental	502,338	-	183,923	-	686,261
Garbage	286,367	-	-	-	286,367
Fines and forfeitures	262,435	-	-	-	262,435
Cemetery	6,075	-	-	-	6,075
Interest	35,527	28,440	209,342	80	273,389
Miscellaneous	23,091	-	86,184	-	109,275
Total revenues	3,446,742	487,392	1,574,156	80	5,508,370
Expenditures:					
General government	1,651,212	31,594	-	42,339	1,725,145
Public safety	716,350	-	-	-	716,350
Streets and public works	387,259	-	-	-	387,259
Parks and recreation	67,718	-	-	-	67,718
Cemetery	3,103	-	-	-	3,103
Garbage	230,001	-	-	-	230,001
Capital outlay	-	-	914,511	-	914,511
Debt service:					
Bond issuance costs	-	-	74,169	-	74,169
Principal retirement	-	200,000	65,000	-	265,000
Interest and fiscal charges	-	244,551	100,670	-	345,221
Total expenditures	3,055,643	476,145	1,154,350	42,339	4,728,477
Excess of revenue over (under) expenditures	391,099	11,247	419,806	(42,259)	779,893
Other financing sources (uses):					
Bond proceeds	-	-	2,015,845	-	2,015,845
Payment to defease debt	-	-	(1,916,380)	-	(1,916,380)
Transfers in (out)	(79,000)	-	79,000	-	-
Total other financing sources (uses)	(79,000)	-	178,465	-	99,465
Net change in fund balance	312,099	11,247	598,271	(42,259)	879,358
Fund balance (deficit) - beginning of year	1,914,472	1,135,983	3,190,094	(139,478)	6,101,071
Fund balance (deficit) - end of year	\$2,226,571	\$ 1,147,230	\$ 3,788,365	\$ (181,737)	\$ 6,980,429

The accompanying notes are an integral part of the financial statements.

CITY OF BLUFFDALE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances - total governmental funds (page 15)	\$ 879,358
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<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and capital contributions exceeded depreciation in the current period.</p>	1,670,609
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<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	205,968
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<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	254,140
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<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.</p>	<div style="border-top: 1px solid black; display: inline-block;">21,695</div>
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Change in net assets of governmental activities (page 13)	<div style="border-bottom: 3px double black; display: inline-block;">\$3,031,770</div>
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The notes to the financial statements are an integral part of this statement.

**City of Bluffdale
Year Ended June 30, 2006**

**Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
General Fund**

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 1,003,242	\$ 1,114,242	\$ 1,385,815	\$ 271,573
Licenses and permits	576,000	768,000	723,696	(44,304)
Charges for services	396,500	243,600	221,398	(22,202)
Intergovernmental	261,000	520,500	502,338	(18,162)
Garbage	250,000	262,000	286,367	24,367
Fines and forfeitures	295,000	275,000	262,435	(12,565)
Cemetery	-	-	6,075	6,075
Interest	30,000	50,000	35,527	(14,473)
Miscellaneous	3,500	12,000	23,091	11,091
Total revenues	2,815,242	3,245,342	3,446,742	201,400
Expenditures:				
Current operating:				
General government	1,663,864	1,685,415	1,651,212	34,203
Public safety	493,938	1,009,520	716,350	293,170
Streets and public works	203,879	424,250	387,259	36,991
Parks and recreation	97,565	83,565	67,718	15,847
Garbage	222,200	242,500	230,001	12,499
Cemetery	4,442	3,150	3,103	47
Total expenditures	2,685,888	3,448,400	3,055,643	392,757
Excess (deficiency) of revenues over expenditures	129,354	(203,058)	391,099	594,157
Other financing sources (uses):				
Transfers out	(79,000)	(79,000)	(79,000)	-
Total other financing sources (uses)	(79,000)	(79,000)	(79,000)	-
Net change in fund balance	50,354	(282,058)	312,099	594,157
Fund balance - beginning of year	1,914,472	1,914,472	1,914,472	-
Fund balance - end of year	\$ 1,964,826	\$ 1,632,414	\$ 2,226,571	\$ 594,157

The accompanying notes are an integral part of the financial statements.

City of Bluffdale
Year Ended June 30, 2006

Special Improvement District - Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Special assessments	\$ -	\$ 459,000	\$ 458,952	\$ (48)
Interest	-	25,000	28,440	3,440
Total revenues	-	484,000	487,392	3,392
Expenditures				
General government	-	19,000	31,594	(12,594)
Debt service	-	465,000	444,551	20,449
Total expenditures	-	484,000	476,145	7,855
Excess of revenues over expenditures	-	-	11,247	11,247
Other financing sources (uses)				
Bond proceeds	-	100,000	-	(100,000)
Transfer in (out)	-	(100,000)	-	100,000
Total other financing sources	-	-	-	-
Net change in fund balance	-	-	11,247	11,247
Fund balance at beginning of year	1,135,983	1,135,983	1,135,983	-
Fund balance at end of year	<u>\$ 1,135,983</u>	<u>\$ 1,135,983</u>	<u>\$ 1,147,230</u>	<u>\$ 11,247</u>

The accompanying notes are an integral part of the financial statements

City of Bluffdale
June 30, 2006

Statement of Net Assets
Proprietary Fund

<u>ASSETS</u>	<u>Water Fund</u>
Current assets	
Cash and cash equivalents	\$ -
Accounts receivable, net	154,444
Total current assets	154,444
Investment in water rights and stock	536,329
Property, plant and equipment	
Land	4,703
Water distribution system	2,171,003
Machinery and equipment	67,950
Accumulated depreciation	(726,795)
Net property, plant and equipment	1,516,861
Total Assets	2,207,634
<u>LIABILITIES</u>	
Current liabilities	
Accounts payable	84,628
Due to other funds	15,430
Accrued liabilities	3,824
Compensated absence payable	17,341
Total current liabilities	121,223
Long term liabilities	-
Total Liabilities	121,223
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	1,516,861
Unrestricted	569,550
Total Net Assets	\$ 2,086,411

The notes to the financial statements are an integral part of this statement.

City of Bluffdale
Year ended June 30, 2006

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

	Water Fund
Operating revenues	
Water sales	\$ 956,722
Total operating revenues	<u>956,722</u>
Operating expenses	
Water purchases	514,288
Wages and fringe benefits	161,267
Maintenance and engineering	118,091
Office supplies, postage and insurance	8,101
Depreciation	103,316
Other	5,208
Total operating expenses	<u>910,271</u>
Operating income	<u>46,451</u>
Nonoperating revenues (expenses)	
Connection and service fees	<u>75,410</u>
Income before contributions and transfers	121,861
Capital contributions	<u>339,580</u>
Change in net assets	461,441
Total net assets, beginning of year	<u>1,624,970</u>
Total net assets, end of year	<u><u>\$ 2,086,411</u></u>

The notes to the financial statements are an integral part of this statement.

City of Bluffdale
Year ended June 30, 2006

Statement of Cash Flows
Proprietary Fund

	Water Fund
Cash flows from operating activities:	
Cash received from customers (including cash deposits)	\$ 915,988
Cash paid to suppliers	(629,180)
Cash paid to employees	(154,902)
Net cash provided by operating activities	<u>131,906</u>
Cash flows from non-capital financing activities:	
Decrease in amounts due to other funds	(126,923)
Connection and impact fees	75,410
Net cash provided (used) by non-capital financing activities	<u>(51,513)</u>
Cash flow from capital and related financing activities:	
Purchase of capital assets and water stock	(80,393)
Net cash used by capital and related financing activities	<u>(80,393)</u>
Cash flow from investing activities:	<u>-</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 46,451
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	103,316
(Increase) in accounts receivable	(40,734)
Increase in accounts payable	16,508
Increase in accrued liabilities	6,365
Total adjustments	<u>85,455</u>
Net cash provided by operating activities	<u>\$ 131,906</u>
Noncash investing, capital and financing activities:	
Contribution of water lines and water rights	\$ 339,580

The notes to the financial statements are an integral part of this statement.

City of Bluffdale
Statement of Net Assets
Fiduciary Fund
June 30, 2006

	<u>Escrow Fund Total</u>
ASSETS	
Cash and cash equivalents	\$ 100,420
Total assets	<u>100,420</u>
LIABILITIES	
Construction and improvement bonds	100,420
Total liabilities	<u>100,420</u>
NET ASSETS	
Unrestricted	-
Total net assets	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BLUFFDALE
Notes to the Financial Statements
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The basic financial statements of City of Bluffdale (the City) have been prepared in conformity with accounting principles (GAAP) generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

The City of Bluffdale was incorporated in 1978. The City operates under a Council-Mayor form of government. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). The component unit discussed below is included as part of the City's reporting entity as a blended component unit.

The Redevelopment Agency of Bluffdale City (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA is governed by a board of trustees composed of the City Mayor and members of the City Council. Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of the major capital facilities of the City (other than those financed by proprietary funds).

The SID Special Revenue Fund is used to account for financial resources and activities of the City's Special Improvement District.

The City reports the following major proprietary fund:

The Water Fund accounts for the activities of the City's water production, treatment and distribution operations.

Additionally, the City reports a fiduciary fund to account for construction and improvement bonds received from developers.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Assets, Liabilities, and Net Assets or Equity

Cash, Deposits and Investments Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The State Treasurer's Investment Fund operates in accordance with state laws and regulations. The reported value of the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less when purchased meet this definition.

Receivables and Payables Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". In the Water fund, the City records utility revenues billed to customers when meters are read on a monthly basis. Unbilled service accounts receivable at June 30, 2006 are not material and are not recorded.

Inventories and Prepaid Items Inventories of materials and supplies in the proprietary funds, consisting principally of materials used in the repair of the transmission, distribution, collection and treatment systems, are valued at cost and accounted for on a first-in, first-out basis (FIFO). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

As permitted by GASB Statement No. 34, the City has not retroactively recorded infrastructure assets.

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Assets, Liabilities, and Net Assets or Equity (Continued)

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 to 50 years
Infrastructure	20 to 50 years
Machinery and equipment	5 to 7 years
Furniture and fixtures	5 to 10 years
Water distribution system	20 years

Compensated Absences For governmental funds amounts of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave without limitation. Accumulated vacation leave is paid to employees upon termination or retirement.

Long-Term Obligations In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Restricted Assets Restricted assets are comprised of cash restricted for future payments of principal and interest on debt service as well as unexpended portions of bonds issued for capital construction purposes.

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

2. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$9,330,617
Accumulated depreciation	<u>(1,048,865)</u>
Total difference	<u><u>\$8,281,752</u></u>

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at June 30, 2006 were:

Sales Tax Revenue bonds	\$2,220,000
Special Improvement District bonds	4,170,000
Capital lease obligations	54,000
Interest payable on long-term debt	173,365
Compensated absences	17,400
Bond issuance premium	<u>14,965</u>
Total difference	<u><u>\$6,649,730</u></u>

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

2. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

Explanation of Certain Differences Between Governmental Fund Operating Statements and the Statement of Net Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follow:

Capital outlay	\$1,926,500
Depreciation expense	<u>255,891</u>
Net difference as reported	<u><u>\$1,670,609</u></u>

3. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information

1. For the fiscal year beginning July 1, the Mayor submits a proposed budget to the City Council by the first City Council meeting in May. The budget includes proposed expenditures and the means of financing them.
2. By passage of a resolution, the budget is legally enacted on or before June 15, after a public hearing has been held.
3. Once adopted, the budget can be amended by subsequent City Council action. The budget officer is authorized to transfer budgeted amounts between departments within any fund; however, the City Council must approve any revisions that alter the total expenditures of any fund. Increased appropriations require a public hearing to amend the budget.
4. Interim adjustments of estimated revenues and appropriations, during the year ended June 30, 2006, have been included in the final budget approved by the City Council, as presented in the basic financial statements.
5. As determined by state law, the level by which expenditures may not legally exceed appropriations is the total departmental budgets within a given fund.
6. Unencumbered appropriations lapse at the end of each fiscal year.

Annual budgets for the General Fund, all Special Revenue Funds and the Capital Projects Fund were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of actual versus such budgets for governmental funds.

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

The City Council made several supplemental budgetary appropriations throughout the year, including increases and decreases in the general fund. The expenditure appropriations for the fund increased \$762,512. The biggest increase was in public safety for \$515,582. The other changes were generally spread among the functions and were for general operations items.

Tax Revenues

Property taxes are collected by the Salt Lake County Treasurer and remitted to the City in two to three installments in November, December, and January of each fiscal year and a final settlement by March 31st. Taxes are levied and are due and payable on November 1st and delinquent after November 30th of each year at which time they become liens if not paid. An accrual of delinquent current and prior year's property taxes beyond that which was received within 60 days after fiscal year end has not been made, as the amounts are not deemed to be material. An accrual for current year property taxes estimated to be collected the following November and December is made each year.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, semi-annual, or annual basis. An accrual has not been made for fees due and payable to the City at June 30th as the amounts are not deemed to be material.

4. DETAILED NOTES FOR ALL FUNDS

Deficit Fund Equity

The Redevelopment Agency Special Revenue Fund had a deficit fund balance of \$193,237 at June 30, 2006. This deficit will be eliminated by increased revenues or transfers in future years.

Utah State law establishes the rules and regulations for deposits and investments and is known as the Utah Money Management Act. The Act established the Money Management Council that promulgates additional rules and determines which financial institutions may qualify to hold deposits and investments for state and local entities. The City has complied with the Utah Money Management Act and rules of the Money Management Council with regard to deposits and investments.

As of June 30, 2006, the City's demand deposits amounted to \$537,635. Cash equivalents restricted for debt service invested in money market accounts amounted to \$1,131,986.

As of June 30, 2006, the City had investments in the Utah Public Treasurer's Investment Fund of \$5,354,498. The fund is not rated and the weighted average maturity was less than 90 days.

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Deposits and Investments (Continued)

Custodial credit risk - deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned. As of June 30, 2006, \$1,469,621 of the City's \$1,669,621 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. The Utah Money Management Act does not require deposits to be insured or collateralized and the City has no formal policy regarding deposit credit risk. The Act requires that the City keep deposits in a qualified depository, which the City has done.

Custodial Credit Risk - Investments. This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City has no formal policy regarding custodial credit risk for investments. Money invested in the Utah Public Treasurer's Investment Fund is pooled with many other state and local entities, and is managed by the Utah State Treasurer. The Fund is not categorized as to custodial credit risk.

Interest rate credit risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss from changes in interest rates is to follow the Utah Money Management Act and only invest in instruments that mature in one year or less. Investment within the Public Treasurer's Investment Fund have a weighted average maturity of less than ninety days.

Credit risk is the risk that an issuer will not fulfill its obligations. The City policy is consistent with and complies with the Utah State Money Management Act. Investment is limited to U.S. Treasuries, U.S. Government Agency instruments, Utah Public Treasurer's Investment Fund, and other instruments that are rated A or higher by Standard & Poor's or Moody's. The City only invested in the Utah Public Treasurer's Investment Fund and U.S. Treasury securities during the year.

Concentration of credit risk. City policy requires diversification and limits the amount that may be invested in the same company. First, the City may not invest more than 20% of its idle funds outside of the Utah Public Treasurer's Investment Fund. Second, not more than 10% of the total portfolio may be invested in a single company's credit instruments. The Utah Public Treasurer's Investment Fund is highly diversified and must comply with various rules of the Utah State Money Management Act and Money Management Council.

The deposits and investments described above are included on the government-wide statement of net assets as follows:

Cash and cash equivalents	\$5,892,133
Restricted cash	<u>1,131,986</u>
	<u>\$7,024,119</u>

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Receivables as of year end for the City's individual major funds and nonmajor funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Total</u>
Receivables:			
Taxes	\$810,552	\$ ---	\$ 810,552
Accounts and other	37,789	163,444	201,233
Intergovernmental	<u>54,014</u>	<u>---</u>	<u>54,014</u>
Gross receivables	902,355	163,444	1,065,799
Less: allowance for uncollectibles	<u>---</u>	<u>(9,000)</u>	<u>(9,000)</u>
Net total receivables	<u>\$902,355</u>	<u>\$154,444</u>	<u>\$1,056,799</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the government funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	\$622,210	\$ ---
Total deferred/unearned revenue for governmental funds	<u>\$622,210</u>	<u>\$ ---</u>

Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$2,569,814	\$ 350,400	\$ ---	\$2,920,214
Buildings	1,751,411	21,891	---	1,773,302
Infrastructure	2,261,477	1,292,290	---	3,553,767
Machinery and equipment	<u>821,415</u>	<u>261,919</u>	<u>---</u>	<u>1,083,334</u>
	<u>7,404,117</u>	<u>1,926,500</u>	<u>---</u>	<u>9,330,617</u>
Less: accumulated depreciation				
Buildings	125,679	58,380	---	184,059
Infrastructure	34,136	123,878	---	158,014
Machinery and equipment	<u>633,159</u>	<u>73,633</u>	<u>---</u>	<u>706,792</u>
	<u>792,974</u>	<u>255,891</u>	<u>---</u>	<u>1,048,865</u>
Net governmental capital assets	<u>\$6,611,143</u>	<u>\$1,670,609</u>	<u>\$ ---</u>	<u>\$8,281,752</u>

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Land	\$ 4,703	\$ ---	\$ ---	\$ 4,703
Water distribution system	1,963,030	207,973	---	2,171,003
Equipment	62,950	5,000	---	67,950
	<u>2,030,683</u>	<u>212,973</u>	<u>---</u>	<u>2,243,656</u>
Accumulated depreciation				
Water distribution system	583,500	96,582	---	680,082
Equipment	39,979	6,734	---	46,713
	<u>623,479</u>	<u>103,316</u>	<u>---</u>	<u>726,795</u>
Business-type activities net capital assets	<u>\$1,407,204</u>	<u>\$109,657</u>	<u>\$ ---</u>	<u>\$1,516,861</u>

In the government-wide financial statements depreciation was charged as follows by program or activity:

Governmental activities:	
General government	\$ 26,165
Public safety	67,929
Highways and public improvements	154,006
Parks and recreation	<u>7,791</u>
Total depreciation expense - governmental activities	<u>\$255,891</u>
Business-type activities:	
Water	<u>\$103,316</u>
Total depreciation expense - business type activities	<u>\$359,207</u>

Interfund Receivable, Payables and Transfers

At June 30, 2006, interfund balances due to or from other funds was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Redevelopment Agency	\$197,200
Capital Projects	Water	<u>15,430</u>
		<u>\$212,630</u>

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

In addition to the above amounts which will be repaid by the respective funds, transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2006 were as follows:

<u>Fund Transferring Out</u>	<u>Fund Receiving Transfer</u>	<u>Amount</u>
General	Capital Projects	<u>\$79,000</u>

Revenue Bonds

The City has issued bonds where the revenues and assets of the issuing fund are pledged as security for the bonds.

Revenue bonds outstanding at June 30, 2006 by issue are as follows: (in thousands)

<u>Bond Description</u>	<u>Original Issue</u>	<u>Annual Principal</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Amount</u>
Sales Tax Series 2005	\$2,000	\$20 to \$170	3.25% to 4.5%	2/1/24	\$2,000
Sales Tax Series 2003	2,110	\$65 to \$175	5.5%	8/1/23	220
Special Improvement District Series 2004	<u>4,370</u>	\$200 to \$420	5.0% to 6.0%	12/1/19	<u>4,170</u>
	<u>\$8,480</u>				<u>\$6,390</u>

Revenue bond debt service requirements to maturity are as follows: (in thousands)

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	\$ 300	\$ 321	\$ 621
2008	315	304	619
2009	325	290	615
2010	340	274	614
2011	355	259	614
2012-2016	2,050	1,024	3,074
2017-2021	2,220	413	2,633
2022-2024	<u>485</u>	<u>32</u>	<u>517</u>
	<u>\$6,390</u>	<u>\$2,917</u>	<u>\$9,307</u>

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Advance Refunding and Defeased Bonds

During July 2005, the City issued \$2,000,000 Sales Tax Revenue Refunding Bonds. The proceeds from these bonds, net of issuance costs of \$74,169, together with a re-offering premium of \$15,845 and previously held debt service reserve funds of \$159,688, were deposited into an irrevocable trust with an escrow agent. The total deposited with the escrow agent was \$1,916,380, which will be used to provide for the future debt payments of \$1,890,000 of Sales Tax Series 2003 Revenue bonds.

As a result, \$1,890,000 of the liability for these bonds have been removed from the City's Statement of Net Assets. The City realized an economic gain (difference between the present value of the old and new debt service payments) of \$102,536 from the refunding. The difference between the reacquisition price and the net carry amount of the debt of \$91,380 is a deferred loss which was added to the unamortized bond issue costs and will be amortized through the year 2024.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006 was as follows: (in thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental activities:					
Bonds payable:					
Special improvement district	\$4,370	\$ ---	(\$ 200)	\$4,170	\$210
Sales tax revenue	2,110	---	1,890	220	70
Sales tax revenue	---	<u>2,000</u>	---	<u>2,000</u>	<u>20</u>
Total bonds payable	6,480	2,000	(2,090)	6,390	300
Capital leases	90	---	(36)	54	31
Vacation payable	<u>21</u>	---	(4)	<u>17</u>	<u>15</u>
Governmental activity long-term liabilities	<u>\$6,591</u>	<u>\$2,000</u>	<u>(\$2,130)</u>	<u>\$6,461</u>	<u>\$346</u>

The annual requirements to amortize the capital leases payable, including interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 31,119	\$1,964	\$33,083
2008	<u>22,881</u>	<u>999</u>	<u>23,880</u>
	<u>\$54,000</u>	<u>\$2,963</u>	<u>\$56,963</u>

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

4. **DETAILED NOTES FOR ALL FUNDS (CONTINUED)**

Other Information

Risk Management The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance through the Utah Local Government Insurance Trust for all of these risks of loss. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Expenses and claims not covered by insurance are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Certain property owners within the City have filed a petition for disconnection of approximately one-third of the City's land area. Since the land is currently undeveloped, the immediate annual loss of property tax revenues would be insignificant. Once the land is developed, future lost revenue, which is currently unknown in amount, would be substantial if the property owners successfully disconnect. The City lost at trial court and has appealed the trial court decision to the Utah Supreme Court. Oral arguments before the Supreme Court are scheduled for December 2006. The likelihood of an unfavorable outcome cannot be determined at this time.

City Management estimates that the amount of other actual or potential claims against the City as of June 30, 2006 will not materially affect the financial condition of the City.

Redevelopment Agency In connection with the activities of the Redevelopment Agency (RDA), incremental tax revenues totaling \$-0- were generated. The RDA was not required to pay any portion of this revenue to other taxing agencies. There is no outstanding debt of the RDA at June 30, 2006.

During the year ended June 30, 2006, funds expended by the RDA were limited to the category of administration costs. Administrative costs totaled \$42,339.

Employee Retirement Systems and Pension Plans The City contributes to the Local Governmental Contributory Retirement System (hereafter referred to as the Systems) which is cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (URS). The Systems provide retirement benefits, annual cost of living adjustments, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. URS issues a publicly available financial report that includes financial statements and required supplementary information for the Systems.

CITY OF BLUFFDALE
Notes to the Financial Statements (Continued)
June 30, 2006

4. **DETAILED NOTES FOR ALL FUNDS (CONTINUED)**

A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy Plan members in the Local Government Contributory Retirement System are required to contribute 3.0 percent of their annual covered salary (all or part may be paid by the employer for the employee), and the City is required to contribute 10.08 percent of its annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions in dollars to each of the Systems for the years ending June 30, 2006, 2005 and 2004, were equal to the required contributions for each year. The contribution amounts are as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Local Governmental Contributory Retirement System	\$52,739	\$48,865	\$35,839

Deferred Compensation Plan Under the URS, the City offers its employees a Deferred Compensation Plan (the Plan) in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The payment of deferred compensation is not available to employees until termination, retirement, death, or emergency. The City's contributions to the 457 Deferred Compensation Plan were \$10,269, \$11,696 and \$8,177 for the years ended June 30, 2006, 2005 and 2004 respectively.

Defined Contribution Plans The 401(k) plan provided by URS is a multiple-employer defined contribution plan. All employees of the City who participate in the URS contributory, noncontributory, or public safety system are eligible to participate in the plan. Employees are immediately 100 percent vested in their contributions to the plan. Employee contributions to the 401 (k) plan and the Deferred Compensation Plan are voluntary. Employer contributions are also voluntary and are intended to standardize the contribution rates for all full time employees participating in the URS. The City's contributions to the 401 (k) plan were \$42,159, \$37,123 and \$13,755 for the years ended June 30, 2006, 2005 and 2004 respectively.

City of Bluffdale
June 30, 2006

Combining Balance Sheet -
Nonmajor Governmental Funds

	Special Revenue	Permanent Fund	Total Nonmajor Governmental Funds
	Redevelopment Agency	Cemetery Perpetual Care	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 10,137	\$ 11,500	\$ 21,637
Total assets	<u>\$ 10,137</u>	<u>\$ 11,500</u>	<u>\$ 21,637</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to other funds	\$ 197,200	\$ -	\$ 197,200
Accounts payable	6,174	-	6,174
Total liabilities	<u>203,374</u>	<u>-</u>	<u>203,374</u>
Fund balances (deficit):			
Reserved:			
Reserved for cemetery	-	11,500	11,500
Unreserved:			
Undesignated	(193,237)	-	(193,237)
Total fund balances	<u>(193,237)</u>	<u>11,500</u>	<u>(181,737)</u>
Total liabilities and fund balances	<u>\$ 10,137</u>	<u>\$ 11,500</u>	<u>\$ 21,637</u>

City of Bluffdale
Year Ended June 30, 2006

**Combining Statement of Revenues, Expenditures, and Changes
In Fund Balances - Nonmajor Governmental Funds**

	Special Revenue	Permanent Fund	Total Nonmajor Governmental Funds
	Redevelopment Agency	Cemetery Perpetual Care	
Revenues			
Interest income	\$ 80	\$ -	\$ 80
Total revenue	<u>80</u>	<u>-</u>	<u>80</u>
Expenditures:			
Current operating:			
General government	42,339	-	42,339
Total expenditures	<u>42,339</u>	<u>-</u>	<u>42,339</u>
Net change in fund balance	(42,259)	-	(42,259)
Fund balance - beginning of year	<u>(150,978)</u>	<u>11,500</u>	<u>(139,478)</u>
Fund balance - end of year	<u>\$ (193,237)</u>	<u>\$ 11,500</u>	<u>\$ (181,737)</u>

City of Bluffdale
Year Ended June 30, 2006

Redevelopment Agency -Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Interest income	\$ -	\$ -	\$ 80	\$ 80
Total revenue	-	-	80	80
Expenditures				
General government	-	45,000	42,339	2,661
Total expenditures	-	45,000	42,339	2,661
Net change in fund balance	-	(45,000)	(42,259)	2,741
Fund balance (deficit) at beginning of year	(150,978)	(150,978)	(150,978)	-
Fund balance (deficit) at end of year	<u>\$ (150,978)</u>	<u>\$ (195,978)</u>	<u>\$ (193,237)</u>	<u>\$ 2,741</u>

City of Bluffdale
Year Ended June 30, 2006

Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fees	\$ -	\$ 857,800	\$ 1,094,707	\$ 236,907
Intergovernmental	-	350,000	183,923	(166,077)
Interest	-	171,000	209,342	38,342
Miscellaneous	-	557,843	86,184	(471,659)
Total revenues	-	1,936,643	1,574,156	(362,487)
Expenditures				
Capital outlay	-	1,547,458	914,511	632,947
Debt service	-	243,775	239,839	3,936
Total expenditures	-	1,791,233	1,154,350	636,883
Excess of revenues over expenditures	-	145,410	419,806	274,396
Other financing sources (uses)				
Bond proceeds	-	104,880	2,015,845	1,910,965
Payment to defease debt	-	-	(1,916,380)	(1,916,380)
Transfers in	-	79,000	79,000	-
Total other financing sources	-	183,880	178,465	(5,415)
Net change in fund balance	-	329,290	598,271	268,981
Fund balance at beginning of year	3,190,094	3,190,094	3,190,094	-
Fund balance at end of year	<u>\$ 3,190,094</u>	<u>\$ 3,519,384</u>	<u>\$ 3,788,365</u>	<u>\$ 268,981</u>

Bluffdale City Corporation
Impact Fee Schedule
For Year Ended June 30, 2006

Roads and Bridges

<u>Year</u>	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
2000	\$ -	\$ 288,595	\$ -	\$ 288,595
2001	288,595	234,567	-	523,162
2002	757,729	222,188	-	979,917
2003	979,917	256,105	-	1,234,022
2004	1,234,022	192,415	62,187	1,364,250
2005	1,364,250	248,271	9,053	1,603,468
2006	\$ 1,603,468	\$ 346,221	\$ -	\$ 1,949,689

Water

<u>Year</u>	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
2001	\$ -	\$ 165,000	\$ -	\$ 165,000
2002	165,150	133,000	228,746	69,404
2003	109,404	171,000	138,061	142,343
2004	142,343	169,207	102,205	209,345
2005	209,345	310,700	168,978	351,067
2006	\$ 351,067	\$ 379,200	\$ -	730,267

Storm Sewer

<u>Year</u>	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
1993	\$ 78,479	\$ 17,380	\$ -	\$ 95,859
1994	95,859	15,510	-	111,369
1995	111,369	18,205	46,207	83,367
1996	83,637	-	-	83,637
1997	83,637	14,209	-	97,846
1998	97,846	8,580	2,984	103,442
1999	103,442	47,180	-	150,622
2000	150,622	99,103	-	249,725
2001	249,725	73,927	-	323,652
2002	323,652	29,054	-	352,706
2003	352,706	59,019	32,415	444,140
2004	411,725	68,998	17,373	463,350
2005	463,350	68,966	1,032	531,284
2006	\$ 519,942	\$ 88,427	\$ -	\$ 608,369

Parks

<u>Year</u>	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
1993	\$ -	\$ 44,077	\$ 23,467	\$ 20,610
1994	20,610	42,480	-	63,090
1995	63,090	77,128	65,208	75,010
1996	75,010	230,500	276,909	28,601
1997	28,601	125,099	76,348	77,352
1998	77,352	125,830	346,980	(143,798)
1999	(143,798)	154,750	426,156	(415,204)
2000	(415,204)	508,183	-	(92,979)
2001	(92,979)	325,974	-	(232,995)
2002	(232,995)	72,556	7,388	(153,051)
2003	(153,051)	86,944	250,185	(316,292)
2004	(316,292)	187,435	414,498	(543,355)
2005	(543,355)	374,507	361,844	(530,692)
2006	\$ (530,692)	\$ 337,003	\$ 517,912	\$ (711,601)

Public Safety

<u>Year</u>	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
2000	\$ -	\$ 63,332		\$ 63,332
2001	63,332	45,671		109,003
2002	109,003	44,823	-	153,826
2003	153,826	28,787	84,423	209,462
2004	209,462	27,268	1,372,667	(1,135,937)
2005	(1,135,937)	38,442	113,519	(1,211,014)
2006	\$ (1,211,014)	\$ 37,856	\$ 6,891	\$ (1,180,049)

Subdivisions

<u>Year</u>	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
1993	\$ -	\$ 17,386	\$ 25,550	\$ (8,164)
1994	(8,164)	17,381	29,448	(20,231)
1995	(20,231)	46,880	17,360	9,289
1996	9,289	-	34,800	(25,511)
1997	(25,511)	41,047	5,554	9,982
1998	\$ 9,982	\$ -	\$ 11,775	\$ (1,793)

Bluffdale City is considered one project area in regards to revenues and expenditures for all impact fees.

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and City Council
City of Bluffdale, Utah

We have audited the basic financial statements of the City of Bluffdale, Utah as of and for the year ended June 30, 2006, and have issued our report thereon dated November 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance As part of obtaining reasonable assurance about whether the City of Bluffdale, Utah's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Bluffdale, Utah in a separate letter dated November 12, 2006.

Internal Control Over Financial Reporting In planning and performing our audit, we considered the City of Bluffdale's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the City Council and others within the organization, and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

November 9, 2006

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON LEGAL COMPLIANCE IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

Major and City Council
City of Bluffdale, Utah

We have audited the basic financial statements of the City of Bluffdale, Utah for the year ended June 30, 2006 and have issued our report thereon dated November 9, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance program from the State of Utah:

B & C Road Funds (Department of Transportation)

Our audit also included test work on the City's compliance with those general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide*, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Liquor Law Enforcement
- Justice Courts Compliance
- B and C Road Funds
- Other General Compliance Issues
- Building Permit Surcharge

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Bluffdale, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

November 9, 2006

BLUFFDALE CITY
Schedule of Findings
Year Ended June 30, 2006

<u>Requirement/Program</u>	<u>Current Year Findings</u>
1. State Surcharge Report	<p><u>Finding:</u> State law requires the State Surcharge report be filed by the 10th of each month. In seven of the twelve months, the report and related funds were filed one to nine days late.</p> <p><u>Recommendation:</u> We recommend the Court Clerk generate the report timely and request a hand write check, if needed, from accounting in order to ensure the report is filed timely.</p> <p><u>Management's Response:</u> This duty and report has been transferred to another department and staff member who will file the report by the 10th of each month.</p>
2. Building Permit Surcharge Report	<p><u>Finding:</u> State law requires a quarterly surcharge report for building permit fees be filed within 30 days following the end of each quarter. For the three of the four quarters of the fiscal year, the reports were filed late.</p> <p><u>Recommendation:</u> We recommend appropriate follow-up to ensure the reports are filed timely.</p> <p><u>Management's Response:</u> This duty and report has been transferred to another department and staff member who will file the report within 30 days following the end of the quarter.</p>
3. Court Trust Account	<p><u>Finding:</u> State law requires the City to maintain proper records of trust fund monies held in the court's trust revolving account. The City has not properly reconciled and recorded activity in the court trust account.</p> <p><u>Recommendation:</u> City staff should record all trust funds received in a liability account and reconcile the account detail to the general ledger each month.</p> <p><u>Management's Response:</u> A liability account has been created and all Court trust fund monies will be deposited and reconciled each month.</p>